

# Swansea Bay City Deal

## Internal Review

### Terms of Reference and Programme

#### Review Team:

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## **Introduction& Background**

At the request of the Joint Committee an Internal Audit team, which includes representatives from the four partner Local Authorities, was requested to undertake an internal review of the Governance arrangements for the Swansea Bay City Deal. The request arose out of concerns around the suspensions of senior staff at Swansea University and the concerns in relation to the Life Science and Well Being Project (Delta Lakes project) which forms part of the Swansea Bay City Region Deal.

Carmarthenshire County Council as the Accountable Body for the Swansea Bay City Deal are responsible for the provision of Internal Audit for the Programme. To avoid any perceived conflict of interest, the Joint Committee agreed that Pembrokeshire County Council would lead the internal review. This Section 151 Officer for Carmarthenshire County Council agreed with this approach and will be engaged and updated regularly throughout the review.

## **Interdependencies between Reviews**

Following concerns about the Life Science and Well Being Project, a number of reviews have been commissioned.

UK Government and Welsh Government have commissioned an independent review into the arrangements in place for the Swansea Bay City Region Deal which will cover all the projects. All parties agreed the Terms of Reference for this review in December 2018.

Wales Audit Office will be undertaking a review specifically into the Life Science and Well Being Project.

Carmarthenshire County Council have commissioned a Legal Review of the procurement process followed in respect of the Life Science and Well Being Project .

The Joint Scrutiny Committee has also requested a review.

A meeting will be held between representatives of the UK Government, Welsh Government and the Lead Officer for the Internal Review with a view to synchronising both reviews and avoiding duplication of effort.

## **Purpose and Scope of the Internal Review**

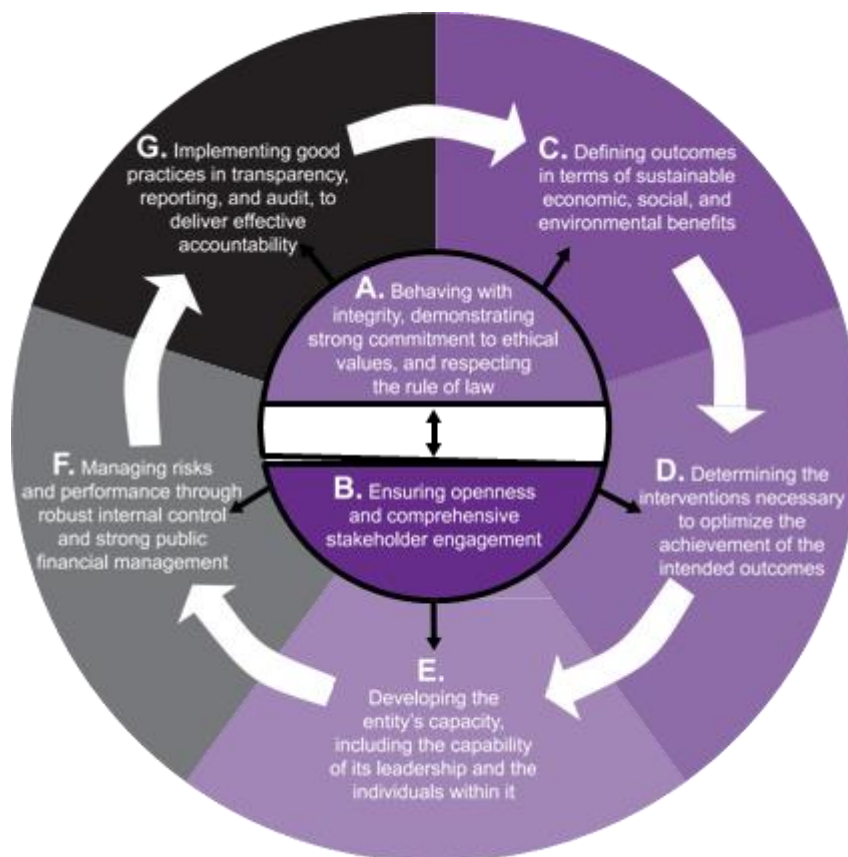
The purpose of the internal review is to provide independent assurance to the Joint Committee that the governance arrangement in place for the Swansea Bay City Region Deal are robust and follows best practice to ensure the confidence of all stakeholders and the delivery of the Programme while acting in the public interest at all times.

In order to provide structure to the review, the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 will be used as the basis for evaluating the governance arrangements for the Swansea Bay City Deal. The CIPFA/SOLACE Framework was updated in 2016 to align with the 'International Framework: Good Governance in the Public Sector' and to reflect the changing environment in which Local Authorities operate. CIPFA/SOLACE guidance notes for Welsh Authorities published in November 2016, assist

Local Authorities and associated organisations such as Joint Boards, Partnerships and other vehicles through with Local Authorities in Wales now operate, to review the effectiveness of their own governance arrangements by reference to best practice.

The diagram below taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) and incorporated into the 'CIPFA/SOLACE Delivering Good Governance in Local Government Framework, illustrates the various principles of good governance in the public sector and how they relate to each other.

### **Achieving the Intended Outcomes While Acting in the Public Interest at all Times**



The attached Internal Audit Programme defines how the Internal Review will assess the effectiveness of the governance arrangements of the Swansea Bay City Deal against the principles of good governance. The Audit Programme identifies the behaviours and actions that demonstrate good governance, as defined within the core and sub-principles within the Delivering Good Governance in Local Government Framework, and what will be considered and reviewed to evaluate the effectiveness of arrangements in place.

<b>Core Principle A:</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	
<b>Sub Principle:</b> Behaving with Integrity	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Ensuring members (including co-opted) and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Swansea Bay City Deal (SBCD).	Review codes of conduct, including sign-off of compliance with the code. Review declarations of interest, how they are recorded, verified and monitored.
Ensuring members take the lead in establishing specific standard operating principles or values for the SBCD and its staff and that they are understood. These should build on the Seven Principles of Public Life (Nolan Principles).	Do standards reflect the Welsh Government public service values? Are the requirements of the Heads of Terms incorporated? Is decision-making criteria defined?
Leading by example and using the above standard operating principles or values as a framework for decision-making and other actions.	Review agenda's, minutes, and outcomes of meeting. Are declarations made, if required? Are agenda items supported by a detailed written report available for consideration in advance? Is decision-making criteria followed? Are decisions taken with due regard for the Welsh Government public service values? Where a decision is taken in contrary to any of the set criteria is there evidence to support the rationale and outcome which has been agreed by all parties?
Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.	What policies and procedures are in place? E.g. register of interests, gifts and hospitality; Anti-fraud and corruption policy; whistleblowing; codes of conduct, minutes of meetings, etc. Are these available and where appropriate, complied with by all parties representing the SBCD.
<b>Sub Principle:</b> Demonstrating strong commitment to ethical values.	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Seeking to establish, monitor and maintain the Joint Committee's ethical standards and performance.	Review minutes of the JC, Programme Board, ESB and the Joint Scrutiny Committee: Is there evidence of ethical decision-making? At JC level is there evidence of ethical compliance being championed? Does the Joint Scrutiny Committee challenge ethical decision-making?
Developing and maintaining robust policies and procedures, which place emphasis on agreed ethical values.	Review procurement policy/process Review co-opted Member appointment process Review staff appointment process

Ensuring that external providers of services on behalf of SBCD are required to act with integrity and in compliance with the ethical standards expected by the SBCD.	Review contracts with service providers. Review Co-opted Member protocol.
<b>Sub Principle: Respecting the rule of law</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations.	Is the Joint Working Agreement adhered to? Is the Constitution adhered to? Compliance with other relevant statutory provisions?
Creating the conditions to ensure that the statutory officers, other key post holders, and members are allowed to fulfil their responsibilities in accordance with legislative and regulatory requirements.	Review of the Joint Working Agreement: What was the sign off process? Does it comply with regulatory and legislative requirements? Have all Statutory Roles been assigned? Are Terms of Reference sufficient and approved? Are they adhered to?
Dealing with breaches of legal and regulatory provisions effectively.	Review Monitoring Officer provisions and records of legal advice provided for the SBCD.
Ensuring corruption and misuse of power are dealt with effectively.	Is there adequate separation of duties between key roles to ensure a balance of power? Is there a robust anti-fraud and corruption policy in place, has it been communicated to all relevant parties and is there evidence of monitoring? Does the Joint Working Agreement clearly state the processes to be followed in the event of suspected corruption and or misuse of powers?

<b>Core Principle B: Ensuring openness and comprehensive stakeholder engagement</b>	
<b>Sub Principle: Openness</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Ensuring an open culture through demonstrating, documenting and communicating SBCD commitment to openness.	Review information publicly available.
Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for keeping a decision confidential should be provided.	Review Board agenda's and minutes. Records of decision-making and supporting documentation.

Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.	Review decision-making criteria; business case and report pro-formas; records of professional advice; minutes of Programme Board and ESB with recommendations to Joint Committee; distribution of information between UK Government, Welsh Government, the Regional Office and the Joint Committee; Programme updates and timescales; publication of information.
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.	Review Programme guidance on consultation and engagement – is there a strategy in place?
<b>Sub Principle: Engaging comprehensively with institutional stakeholders</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.	Review Programme guidance on communication and engagement – is there a strategy in place? How will each stakeholder within individual projects be identified, their expectations and requirements managed/adhered to, has the long-term implications and needs of all stakeholders been identified and can they be effectively managed?
Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>• Trust</li> <li>• A shared commitment to change</li> <li>• A culture that promotes and accepts challenge among partners</li> </ul> And the added-value of partnership working is explicit.	Review communication between the UK Government, Welsh Government and SBCD.  Records and minutes of meetings.
<b>Sub Principle: Engaging stakeholders effectively, including individual citizens and service users.</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Establishing a clear policy on the types of issues that SBCD will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that the SBCD Programme is achieving its intended outcomes.	Joint Working Agreement and Implementation Plan. Individual project records to test compliance.
Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.	Programme Documentation. Is there a Communication Strategy in place?

Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.	Programme Documentation. Individual project records to test compliance.
Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.	Programme Documentation. Individual project records to test compliance. Review outcomes of any consultations undertaken Communication Strategy
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.	Review Programme/Project methodology for stakeholder identification and engagement, e.g. stakeholder analysis.
Taking account of the interests of future generations of taxpayers and service users.	Review links with the relevant PSB Well-being Plans. Report templates and evidence of decision-making criteria.

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in local government also requires effective arrangements for:

<b>Core Principle C:</b> Defining outcomes in terms of sustainable economic, societal, and environmental benefits.	
<b>Sub Principle:</b> Defining outcomes	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Having a clear vision which is an agreed formal statement of the SBCD purpose and intended outcomes containing appropriate performance indicators, which provides the bases for the SBCD overall strategy, planning and other decisions.	Review Joint Working Agreement, Heads of Terms and key governance documents referenced, Implementation Plan and any other associated documents.
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. Both short-medium term and longer term.	As above.
Delivering defined outcomes on a sustainable basis within the resources available.	Review implementation plan and progress to date. Review monitoring reports and communication to Joint Committee. <i>As no Business Cases have been approved, local authorities are proceeding at risk currently – is this sustainable? Wider risk for SBCD?</i>

Identifying and managing risks to the achievement of outcomes.	Is there agreed and established risk management protocols in place? Is there an approved risk appetite agreed by the Joint Committee that commits all partners? Is this acceptable to other stakeholder such as UK Government and Welsh Government? Is there is Programme Risk Register in place?
<b>Sub Principle:</b> Sustainable economic, social and environmental benefits.	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Considering and balancing the combined economic, social and environmental impact of projects and decisions.	Review of Implementation Plan, Business Cases, links with individual PSB Well-being Plans.
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the SBCD intended outcomes and short-term factors such as political cycle or financial constraints.	Longer-term financial viability of the Programme and commitment from partners. Availability and funding expectations. How private sector funding will be sourced and progress to date. Impact of political cycles. Programme risk register.
Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.	Review of Programme Documentation, e.g. Risk management strategy, stakeholder analysis, engagement plan and implementation plan.

<b>Core Principle D:</b> Determining the interventions necessary to optimise the achievement of the intended outcomes.	
<b>Sub Principle:</b> Determining interventions	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Ensuring decision-makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved in Programme and project delivery.	Review Board and Committee agendas, reports and supporting documentation, business cases, options appraisals, etc. Discussion with members. Implementation plan and monitoring reports.



<b>Sub Principle: Planning interventions</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.	Review of JC planning timetable for reporting. Implementation plan. Programme and project methodology.
Considering and monitoring risks facing each partner when working collaboratively including shared risks.	Programme Risk Management Strategy/Methodology. Programme and Project risk registers. <i>Wider impact on the SBCD where authorities are currently proceeding at risk and in doing so perceive to be taking the full risk themselves – financial risk only.</i>
Establishing appropriate performance indicators as part of the Programme and Project planning process in order to identify how the performance of the Programme/Projects is to be measured.	Expectations of UK Government & Welsh Government Heads of Terms Joint Working Agreement Project Management Methodology.
Ensuring capacity exists to generate the information required to review delivery of the Programme regularly.	Reports to the JC include detailed information on project progress and highlight where corrective action or a decision is required (or if decision taken, a report to inform the JC of the rationale).
Preparing budgets in accordance with the Programme and Project objectives, the wider SBCD strategy and individual partner MTFP's.	Review of overall budget preparation and planning, including financial plan for the 15 year Programme.
Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.	Programme and Project Funding plans.
<b>Sub Principle: Optimising achievement of intended outcomes</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Ensuring the Programme and Project plans balance priorities, affordability and other resource constraints.	Programme and project funding plans. Risk management guidance.
Ensuring that medium to longer-term financial plans set the context of ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.	Financial Strategy Risk Management

Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community....over and above the direct purchasing of goods, services and outcomes".	Procurement Strategy for the Programme.
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<b>Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.</b>	
<b>Sub Principle: Developing the entity's capacity.</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Reviewing operations, performance and use of assets on a regular basis to ensure their continued effectiveness.	Regular review of progress of the Programme. Review of effectiveness of roles and appointments in adhering to governance arrangements and delivering planned outcomes of the Programme.
<b>Sub Principle: Developing the capability of the entity's leadership and other individuals.</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Developing the protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.	Joint Working Agreement. Communication.
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the Joint Committee.	Joint Working Agreement. Public accessibility of JWA and minutes.
Ensuring that the Leaders and the Chief Executives have clearly defined and distinctive roles within a structure, whereby the Lead Chief Executive leads the SBCD in implementing the strategy and managing delivery of the Programme and any other outputs set by the Leaders and each provides a check and a balance for each other's authority.	Clear statement of respective roles and responsibilities and how they will be put into practice.  Discussion with the Chair of the Joint Committee and Lead Chief Executive.

**Core Principle F: Managing risks and performance through robust internal control and**

<b>strong public financial management.</b>	
<b>Sub Principle: Managing risk.</b>	
<b>Behaviours and actions that demonstrate good governance.</b>	<b>Review Requirements/Considerations</b>
Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision-making.	Risk Management protocol.
Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.	Review Risk Management arrangements – policy adopted; agreed risk appetite and tolerances; Programme risk register; project risk registers; escalation.
Ensuring that responsibilities for managing individual risks are clearly allocated.	Review risk registers.
<b>Sub Principle: Managing performance.</b>	
<b>Behaviours and actions that demonstrate good governance.</b>	<b>Review Requirements/Considerations</b>
Monitoring Programme delivery effectively including planning, specification, execution and independent post-implementation review.	Programme and project management methodology. Monitoring reports and constructive scrutiny and challenge.
Making decisions on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the SBCD financial, social and environmental position and outlook.	Agreed format of information needs for decision-making. Publication/accessibility of agenda's, reports, supporting documentation and minutes of meetings.
Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on projects before, during and after decisions are made, thereby enhancing the SBCD's performance for which it is responsible.	Membership and Terms of Reference for the Joint Scrutiny Committee. Agenda, reports, supporting documentation, and minutes. Review of outcomes. Review outcomes of any consultations undertaken Communication Strategy
Providing members and senior management with regular report on the Programme and stages of implementation of individual projects.	Calendar of dates for submitting, publishing and distributing timely reports, which are adhered to.
Ensuring there is consistency between specification stages, e.g. project initiation stage and post-implementation reporting.	Review project management methodology.
<b>Sub Principle G: Robust Internal Control.</b>	

Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Aligning the risk management strategy and policies on internal control with achieving objectives.	Establish the Policy Framework that determines the internal controls for the Programme and review. Consider any Internal Audit work undertaken to date.
Evaluating and monitoring risk management and internal control on a regular basis.	Confirm regular review of risk management arrangements. Identification of Internal Audit remit and requirements. <i>Need to consider wider stakeholder needs for IA assurance, e.g. grant funding, private sector investment.</i>
Ensuring effective counter fraud and anti-corruption arrangements are in place.	Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption.
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Internal Auditor.	Joint Working Agreement – Carmarthenshire Internal Audit Service.  How will this be reported annually? SBCD AGS or through individual Partner Authority AGS.
Ensuring an Audit Committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> <li>Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment;</li> <li>That its recommendations are listened to and acted upon.</li> </ul>	Joint Working Agreement and Committee Terms of Reference Minutes of Meetings.
<b>Sub Principle: Managing Data.</b>	
Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.	Joint Working Agreement – data management requirements and responsibilities. Data sharing protocols. GDPR/DPA Compliance.
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.	As above – review what shared, etc.
Reviewing and auditing regularly the quality and accuracy of data used in decision-making and performance monitoring.	Review verification and monitoring of project data quality.
<b>Sub Principle: Strong public financial management.</b>	

Behaviours and actions that demonstrate good governance.	Review Requirements/Considerations
Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance.	Programme and project budgets.
Ensuring well-developed financial management is integrated at all levels of the Programme, including management of financial risks and controls.	Project budget-monitoring reports.